



January 25, 2011

The Honorable Ben S. Bernanke, Chairman  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, DC 20551

Re: Regulation II - Debit Card Interchange Fees and Routing

Dear Sir,

The proposed rule to regulate debit interchange fee income and debit card routing under the Dodd-Frank Act raises many serious substantive concerns.

The Act provides an exemption for small issuers with assets under \$10 billion from the interchange fee rate setting limitations that will apply to larger issuers, but does not include provisions specifically designed to enforce the exemption. A lack of an enforcement mechanism in the statute likely subjects the small issuers to the fees that will be required for large issuers under the proposal.

Further, the fee structure developed to limit interchange fees for large issuers excludes a number of reasonable costs and does not take into consideration fraud prevention and data security costs. The debit routing and exclusivity provisions will apply to all debit card issuers regardless of asset size, so even if a two-tiered system is permitted and works in practice, small issuers will be at a great disadvantage.

Under the routing provisions, small issuers could be further disadvantaged if merchants are able to 'steer' transactions toward large issuers that must operate under lower debit interchange fees. The merchant will then drive a consumer's financial choice towards big bank cards ultimately leading to a competitive disadvantage.

The Federal Reserve Board (Fed) should implement reasonable interchange regulations that will allow small issuers to continue to be protected from lower interchange fees. I urge the Fed to use its authority to reinforce the small issuer exemption and ensure that it works as Congress intended.

Sincerely,

A handwritten signature in black ink that reads 'Megan Primeau'.

Megan Primeau  
Vice President Marketing  
City & County Credit Union